

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS McCRERY
TO INTERROGATORIES OF PITNEY BOWES, INC.
(PB/USPS-T42-1-9,11-13)
(July 6, 2006)

The United States Postal Service hereby provides the responses of witness McCrery to the above-listed interrogatories of Pitney Bowes, Inc., filed on June 22, 2006. PB/USPS-T42-10 has been redirected to the Postal Service.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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PB/USPS-T42-1. Please confirm that mailers and presort bureaus perform "pallet separations" (i.e. sorting letter trays to pallets that destinate to different local and non-local postal facilities) for First-Class letter mail. If you cannot confirm, please explain fully. If you confirm, please describe the value of these pallet separations to the Postal Service and discuss how pallet separations reduce or eliminate USPS transportation and mail processing costs. Please also confirm that the USPS works with mailers and presort bureaus to design pallet separations that benefit the Service and that these separations may be changed periodically as the Postal Service changes its operations so that the pallet separations continue to benefit the Service.

Response:

Please see the response to PB/USPS-T29-5 in R2005-1. It can also be confirmed that pallet separations may be changed periodically as the Postal Service changes its operations and transportation.

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PB/USPS-T42-2. Please confirm that an individual mailer or presort bureau may often make pallet separations to more than 30 different local and non-local postal facilities. If you cannot confirm, please explain fully.

Response:

They may.

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PB/USPS-T42-3. Please confirm that a mailer cannot make pallet separations if the mailer mails only MAADC First-Class Mail. If you cannot confirm, please explain fully.

Response:

Confirmed.

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PB/USPS-T42-4. Please confirm that pallet separations allow the Postal Service to either (1) transport the pallets directly to the final local facility, typically avoiding platform and other mail processing operations at an intermediate local facility or (2) cross dock the mail at an intermediate local facility. Please also confirm that pallet separations typically permit the Postal Service to avoid entering, staging, and breaking down the pallet, sorting the trays into rolling stock, and staging and loading the rolling stock at the intermediate facility. If you cannot confirm, please explain fully.

Response:

Please refer to the response to PB/USPS-T29-13 in R2005-1.

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PB/USPS-T42-5. Please refer to PB/USPS-T29-8 in Docket No. R2005-1 and your response to that interrogatory. If you were asked the same question in this docket would your response be the same? If not, please describe any changes you would make in that response.

Response:

Yes.

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PB/USPS-T42-6. Please describe the operations where the Postal Service straps and sleeves trays containing First-Class Mail letters and include in your response a discussion of the craft, number and grade of employees, clocked-in MODS operation, and mail transport equipment used in the operations.

Response:

This work is performed in operations 118, 208, and 209 as described below.

Normally, this work is performed by level 4 mail handlers, but level 5 clerks may do it on occasion. Occasionally, trays may also be sleeved and strapped manually in dispatch operations 124-129. Dispatch work is performed exclusively by level 4 mail handlers.

118 ACDCS/SAMS

Used for the scanning of trays destined for air transport. Activities also include the preparation of manifests, application of routing labels, loading and unloading of trays, clearing jams, changing printer applicator tape, changing strapping tape (standalone systems), or any other task related to operating ACDCS equipment.

208 SWYB/SASWYB

Workhours for craft employees associated with the following activities are included in operation 208:

- 1) The loading, scanning, labeling, and unloading of trays, sacks, pouches, and outsides utilizing Scan-Where-You-Band or Semi-Automatic Scan-Where-You-Band equipment.
- 2) Obtaining empty equipment from nearby operations and setup of the operation.
- 3) Transport of empty equipment within the SWYB/dispatch area.
- 4) Sleeving and strapping of trays/tubs manually or using automatic sleeving/strapping equipment.
- 5) Staging and transporting containers to the next handling operation.
- 6) Clearing jams and refilling label supply for the SWYB workstation.
- 7) Manually sleeving and strapping trays if the work is being performed in the unit.

209 AAA/ATS

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Specifically for the loading and unloading of trays utilizing the Automatic Airline Assignment or Automatic Tray Sleeveing equipment. Also include the workhours used in support of the operation such as collecting MTE, staging and transporting containers to the next handling operation, clearing jams, refilling label supply, exchanging sleeve carts, loading sleeves into sleeve carts (unless integral to another operation), changing strapping tape, or any other task related to operating AAA or ATS equipment.

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PB/USPS-T42-7. Please refer to PB/USPS-T49-16 in Docket No. R2005-1 and your response to that interrogatory. If you were asked the same question in this docket would your response be the same? If not, please describe any changes you would make in that response.

Response:

Assuming the intended reference is PB/USPS-T29-16, yes.

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PB/USPS-T42-8. Please refer to USPS-LR-L-48, page 3, column H headed "Fixed (Cents)" showing total fixed costs of 1.792 cents. Please provide any operational studies or information you have supporting the premise that these costs actually are fixed with respect to presort level.

Response:

Please see the response provided to PB/USPS-T22-4.

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PB/USPS-T42-9. Please refer to USPS-T-12, the direct testimony of Thomas Bozzo, on behalf of the Postal Service in Docket No. R2005-1, pages 40 and 41, where he states:

Third, for allied labor and general support operations, it is possible to view cost causation as following a “piggyback” model, in which the costs in support operations are viewed as driven by—and thus volume-variable to the same degree as—the “direct” operations.

- a. Do you agree with this statement? If you do not, please explain why not.
- b. If the words “fixed and proportional with respect to presort level” were substituted for the words “volume-variable” would you still agree with this statement. If you would not, please reconcile this answer with that provided in part a.

Response:

a. and b. The fine points of costing terminology are well beyond the scope of my testimony.

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PB/USPS-T42-11. Please refer to page 11 of your testimony where you state “[b]arcoded automation letters presorted to the 5-digit level provide additional value, since these trays bypass the additional upstream handlings prior to incoming secondary distribution.”

- a. Please explain fully whether these “additional upstream handlings” include both piece and container handlings.
- b. Please explain fully whether part or all of the “additional value” you ascribe to these 5-digit letters is cost savings as compared to mail that is not as presorted.
- c. Please describe any “additional value” in addition to cost savings.

Response:

- a. The intention of this statement was to convey the upstream piece handlings that are avoided due to 5-digit presorting. Five-digit sorted trays are likely to have similar container, i.e. pallet or rolling stock, handlings when compared to 3-digit or mult-3-digit (e.g., AADC) trays.
- b – c. The additional value was intended to convey only the cost savings that are attributed to the reduction in piece sorting requirements associated with 5-digit presorted trays compared to 3-digit or mult-3-digit (e.g., AADC) trays.

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PB/USPS-T42-12. Please refer to USPS-LR-L-48, page 3.

- a. Please provide a complete description of the activities performed in the cost pool MODS 49 LD49.
- b. Please provide a complete description of the activities performed in the cost pool MODS 79 LD79.
- c. Please provide a complete description of the activities performed in the cost pool MODS 99 1SUPP_F1.
- d. Please provide a complete description of the activities performed in the BMC cost pool NON MODS MISC.

Response:

- a. I am told that this cost pool consists of MODS 085, 539, 792, 795, 796, and 797 as described below.

085 COA Scanning

To be used when CFS clerks scan PS Forms 3575 at the COA Forms Processing Site (CFPS).

539 ZIP + 4 Lookup at CMU/CFS

Workhours used exclusively for the maintenance and use of files in the ZIP + 4 Address Information System.

792 CFS – Return to Sender

Workhours used in processing Return to Sender mail.

795 Address Label Preparation

Workhours used by Customer Services employees in the printing and preparation of address labels in Centralized Mail Markup sites.

796 Mail Markup and Forwarding

Workhours used by Customer Services employees to process mail undeliverable as addressed in Centralized Mail Markup sites. Mail markup activities include the following:

- 1. Disposing of waste mail.
- 2. Processing mail to be returned to the sender from the throwback case.
- 3. Applying labels to forwards from the PO box section and carrier routes.
- 4. Processing address correction request mail (Form 3547, Notice to Mailer of Correction in Address), photocopy and handwritten.

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5. Processing notification to publishers (Form 3579, Undeliverable 2nd, 3rd, 4th Matter).
6. Rating mail forwarded out-of-town postage due.

797 Computer Mail Forwarding

Workhours used by Customer Services employees to process mail undeliverable as addressed. Use this operation only at offices with computer forwarding systems. These activities performed at a centralized mail markup unit are charged to operation 795 or 796, as appropriate. Computer mail forwarding activities include the following:

1. Processing change of address (Form 3575, Change of Address Order) and change forwarding (Form 3546, Forwarding Order Change Notice) form into computer records and purging expired orders.
2. Producing labels with forwarding address or disposition instructions.
3. Applying labels to forwards from the post office box sections and carrier routes.
4. Disposing of waste mail from the unit.
5. Processing mail to be returned to sender from the unit or from the carrier throwback case.
6. Processing address correction requested mail form (Form 3547, Notice to Mailer of Correction in Address), photocopy and handwritten.
7. Processing notification to publishers (Form 3579 Undeliverable 2nd, 3rd, 4th Class Matter).
8. Rating mail forwarded out-of-town postage due.

- b. I am told that this cost pool consists of MODS 001, 550, 660, and 697 as described below.

001 Composite – Platform Acceptance and Weighers Unit (001)

This operation covers all acceptance and verification activities at a postal installation, except as noted below in item number 3. Platform acceptance activities include the following:

1. Explain Postal Service regulations and mailing requirements to customers.
2. Classify mail presented and verify eligibility for rates claimed.
3. Verify that mail meets presort and other preparation requirements. Record workhours in operation 550 if most of the employee's time is spent on this activity.
4. Verify piece weight and total mail volume/ weight.
5. Verify customer's postage calculation.

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6. Collect postage payments through advance postage payment accounts.
7. Verify proper postage is affixed when stamps or metered postage is used.
8. Accept mail meeting all requirements for which proper postage has been paid. Release the accepted mail for processing.
9. Reject mail not meeting postal requirements. Resolve issues with the customer.
10. Move mail to scales, when required, and to subsequent handling or staging areas.
11. Obtain, handle, label, close, and dispose of sacks or containers to dump holes, staging areas, and so forth.

550 Presort Verification

Non-supervisor workhours of Mail Processing employees used to verify that mail meets presort and other preparation requirements.

660 Mailing Requirements & Business Mail Entry

Supervisor and non-supervisor workhours of employees who are accepting and processing mailing permits and responding to customer inquiries of mailing requirements

697 Adm. And Clerical – Mailing Requirements & Business Mail Entry
See 660.

- c. I am told that this cost pool consists of MODS 340, 341, 547, 548, 554, 555, 565, 607, 612, 620, 630, 677, 755, and 798 as described below.

340 Standby – Mail Processing Operations

Workhours of mail processing employees who are kept on the clock, but are idle as a result of low-work-volume periods on particular days, unplanned events such as equipment or communication breakdowns, storms, power failures, lack of workload. This does not apply to temporary equipment breakdowns of ten minutes or less.

341 Quality of Working Life Coordinator

Workhours of mail processing non-supervisor employees serving as QWL coordinators.

547 Scheme Proficiency Monitoring

Workhours of employees performing scheme proficiency checks. Employees undergoing proficiency checks remain in their distribution operation. Employees taking initial scheme qualification tests use operation 781.

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548 Employees Detailed to Mail Order/Publication Houses

Workhours of employees detailed to mail order houses to distribute and dispatch mail.

554, 555 Office Work and Record keeping

Mail processing workhours of employees working in offices or performing record keeping or clerical work that cannot be classified in another operation. Any such work performed incidental to another operation is not recorded under this operation. Scheme and schedule corrections are charged to this number when performed as a primary assignment.

565 Workhour Default (Function 1) – WebMODS

The WebMODS application will automatically credit operation 565 and LDC 18 (Non Supervisory) or LDC 10 (Supervisory) with workhours for any MODS operation number that is not valid for the mail processing facility (finance number). Operation numbers are assigned to specific MODS facility types. The site can correct the errors within TACS prior to the TACS cutoff or after the eleventh day within WebMODS reassign workhours option for sixty days. Once the error occurs in WebMODS, they will be recorded in operation 565 until corrected through TACS or WebMODS.

607, 612 Stewards Duty Time

Non-supervisor workhours of certified Mail Processing Clerk (607) and Mail Handler (612) union stewards during their scheduled tour for investigating, presenting, and adjusting grievances as authorized by the applicable collective bargaining agreement.

620 Travel Time – Within Established Hours of Service

Workhours used for compensable travel time of Mail Processing employees on-the-clock, when traveling from job site to job site, to another city and back within one service day, or away from home overnight, or local travel, transferring between buildings or floors of the same building, providing the travel occurs within the employee's established hours of service on both scheduled and nonscheduled days. Does not include travel from the office to carrier delivery routes or travel between units (operations or work centers) on the same floor.

630 Meeting Time

Workhours of Mail Processing employees attending meetings, conferences, hearings, and so forth, when such time is authorized by the official in charge of the installation. Time spent in informal operational meetings such as safety talks, stand-up sessions, etc., conducted on the

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workroom floor is not considered meeting time, and those hours are charged to the operations on the workroom floor.

677 Administrative and Clerical

Supervisor and non-supervisor workhours of employees involved in miscellaneous office work and record keeping within Mail Processing.

755 Delivery BCS Servicing

Servicing barcode sorters in Delivery operations

798 Miscoded/Uncoded Mail

Workhours used by mail processing for processing miscoded/uncoded mail.

d. I am told that this is NOT a BMC cost pool and that it includes all tallies in LDCs 41, 42, 43, 44, and 48. Please see LR-L-1, section 3.1.4.

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PB/USPS-T42-13. Please refer to USPS-LR-L-110, page 3.

- a. Please provide a complete description of the activities performed in the cost pool MODS 48 LD48 EXP.
- b. Please provide a complete description of the activities performed in the cost pool MODS 48 LD48 OTH.
- c. Please provide a complete description of the activities performed in the cost pool MODS 48 LD48_ADM.
- d. Please provide a complete description of the activities performed in the cost pool MODS 48 LD48_SSV.
- e. Please provide a complete description of the activities performed in the cost pool MODS 49 LD49.

Response:

- a - d. Please refer to the operations/tasks mapped to all cost pools as described in USPS-LR-L-100, table A on page II-15.
- e. See PB-T42-12a above.